

Message Text

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PAGE 01 CARACA 10505 240537Z

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ACTION ARA-10

INFO OCT-01 ISO-00 IO-04 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-04 FPC-01 H-01

INR-05 INT-05 L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01

USIA-06 PRS-01 XMB-02 OPIC-03 LAB-01 SIL-01 AGR-05

SWF-01 AF-04 EA-06 EUR-08 NEA-06 /123 W

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R 232035Z OCT 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6366

INFO USUN NEW YORK 853

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EO 11652 NA

TAGS: EGEN VE

SUBJ: VENEZUELA CALLS FOR SOLVING WORLD ENERGY

PROBLEMS IN THE CONTEXT OF THE GLOBAL ECONOMIC CRISIS

1. SUMMARY: VENEZUELAN PRESIDENT CARLOS ANDRES PEREZ AND HIS CABINET OFFICERS HAVE CONSISTENTLY REPEATED THE THEME THAT THE WORLD'S ENERGY PROBLEMS, INCLUDING THE EFFECTS OF HIGH PETROLEUM PRICES, SHOULD BE DEALT WITH IN THE CONTEXT OF BROADER GLOBAL ECONOMIC PROBLEMS. THIS WAS STRESSED IN THE PRESIDENT'S OPEN LETTER OF SEP 19 TO PRESIDENT FORD BUT WAS REPEATED AND FURTHER ELABORATED ON OCT 16 IN A STATEMENT TO THE UN GENERAL ASSEMBLY BY MINISTER OF STATE FOR INTERNATIONAL ECONOMIC AFFAIRS, MANUEL PEREZ GUERRERO. PEREZ GUERRERO'S STATUS AS PRINCIPAL ADVISOR TO PRESIDENT PEREZ ON INTERNATIONAL ECONOMIC AFFAIRS ENHANCES THE IMPORTANCE OF HIS STATE-
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PAGE 02 CARACA 10505 240537Z

MENT. THIS MESSAGE PROVIDES A SUMMARY AND COMMENTS.

THE EMBASSY ASSUMES THAT THE DEPT WILL RECEIVE
THE FULL TEXT OF PEREZ GUERRERO'S STATEMENT THROUGH USUN.

2. PEREZ GUERRERO OPENED HIS STATEMENT BY NOTING THAT
RAW MATERIALS PROBLEMS ARE CURRENTLY AT THE CENTER OF
HUMAN CONCERNS. LOW PRICES FOR SUCH MATERIALS HAVE
IN THE PAST BEEN THE BASIS FOR THE EXCEPTIONAL PROSPERITY
OF MANY DEVELOPED COUNTRIES. OBVERSELY, THE HIGH PRICES
OF CAPITAL GOODS AND SEMI-MANUFACTURED PRODUCTS EXPORTED
BY SUCH COUNTRIES HAVE CONSTITUTED A PRINCIPAL OBSTACLE
TO THE DEVELOPMENT OF THE POORER COUNTRIES. IT IS FOR
THIS REASON THAT PROPOSED PROGRAMS OF ACTION CONSIDERED
WITHIN THE UN SYSTEM HAVE AT THE INSISTENCE OF
DEVELOPING COUNTRIES INCLUDED MODIFICATION OF THE BASIS
OF THE TERMS OF TRADE BETWEEN INDUSTRIALIZED AND LESS
DEVELOPED COUNTRIES.

3. THE MINISTER REMINDED HIS UN AUDIENCE THAT PRESIDENT
PEREZ' LETTER TO PRESIDENT FORD HAD STRESSED THAT
PETROLEUM PROBLEMS SHOULD BE RESOLVED WITHIN THE FRAME-
WORK OF RAW MATERIALS PROBLEMS IN GENERAL USING ANY
UN FORUM AS A MEDIUM. DECISIONS MADE IN SUCH
A CONTEXT SHOULD INSURE A CORRELATION BETWEEN RAW
MATERIALS PRICES AND THE COST OF MANUFACTURED GOODS. THIS
BASIC PROVISION COULD BE COMBINED WITH OTHER RELATED
MEASURES TO PROVIDE FOR SUCH REQUIREMENTS AS INDUSTRIAL
REDEPLOYMENT, TRANSFER OF REAL RESOURCES, AND TRANSFER
OF TECHNOLOGY TO DEVELOPING COUNTRIES.

4. PEREZ GUERRERO STRESSED THAT PRODUCERS' ASSOCIATIONS,
SUCH AS OPEC, SHOULD PLAY AN IMPORTANT ROLE IN ESTAB-
LISHING A NEW WORLD ECONOMIC ORDER. IN ADDITION TO
UNDERSTANDINGS AMONG PRODUCERS, HOWEVER, HE SAID IT
IS ESSENTIAL THAT PRODUCERS AND CONSUMERS REACH AN
UNDERSTANDING IN ORDER TO ASSURE FAIR CONDITIONS FOR
ACCESS TO RAW MATERIALS.

5. REFERRING TO PETROLEUM, PEREZ GUERRERO SAID THAT
OIL EXPORTERS HAD SUBSIDIZED THE CONSUMING COUNTRIES
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PAGE 03 CARACA 10505 240537Z

OVER A PERIOD OF MANY YEARS. HE ESTIMATED THAT
VENEZUELA HAD SUBSIDIZED THE US ALONE TO THE
EXTENT OF \$10 BILLION. ON A WORLD BASIS, PETROLEUM
PRODUCERS HAD SUBSIDIZED CONSUMING COUNTRIES TO THE
EXTENT OF SOME \$100 BILLION. PEREZ GUERRERO SAID
THAT THIS HAD BEEN ACCOMPLISHED THROUGH THE MECHANISM
OF OIL COMPANY CARTELS WHICH WERE PERHAPS THE FIRST
GOOD EXAMPLE OF INTERNATIONAL CARTELIZATION. PEREZ

GUERRERO ADMITTED THAT THE INCREASE IN THE PRICE OF PETROLEUM RECENTLY HAS CONTRIBUTED TO THE INFLATIONARY PROCESS. HE DENIED STRONGLY, HOWEVER, THAT THE INFLATIONARY SITUATION THE WORLD HAS ENCOUNTERED WAS INITIATED BY SUCH A PRICE INCREASES OR THAT PETROLEUM PRICE INCREASES WERE THE MAJOR FACTOS INVOLVED.

6. PEREZ GUERRERO, FORMERLY DIRECTOR GENERAL OF UNCTAD, DID NOT PASS UP THE OPPORTUNITY OF OBSERVING THAT IF THE INDUSTRIALIZED COUNTRIES HAD PAID MORE ATTENTION TO THE POSITIONS OF THIRD WORLD COUNTRIES IN UNCTAD THEY MIGHT HAVE AVOIDED IN LARGE PART THE DIFFICULTIES WHICH THE WORLD NOW IS CONFRONTING. HE SAID, HOWEVER, THAT THE WORLD HAS REACHED A POINT OF NO RETURN SINCE IT IS NOT ACCEPTABLE TO ANYONE THAT THE WORLD CRISIS REACH CATASTROPHIC PROPORTIONS. A MORE RATIONAL AND JUST SOLUTION MUST BE FOUND. DETERMINATION IS REQUIRED IN ORDER THAT WE NOT BE SWEEPED ALONG BY EVENTS.

7. PEREZ GUERRERO CONCLUDED HIS STATEMENT BY EMPHASIZING THAT VENEZUELA IS PREPARED TO PARTICIPATE IN AN OPEN AND CONSTRUCTIVE DIALOGUE WHICH MIGHT IMPROVE OUR KNOWLEDGE OF CURRENT UNKNOWNNS AND PERMIT US TO FORGE A BETTER WORLD.

8. COMMENT PEREZ GUERRERO'S COMMENTS FLESH OUT IN GREATER DETAIL WHAT PRESIDENT CARLOS ANDRES PEREZ HAS BEEN REPEATING FOR SEVERAL MONTHS. THE VENEZUELAN THESIS IS BASED ON A FIRMLY HELD CONVICTION THAT TERMS OF TRADE BETWEEN INDUSTRIALIZED AND DEVELOPING COUNTRIES HAVE BEEN GROSSLY UNFAIR TO THE LATTER AND THAT THEY MUST BE SHIFTED, WHATEVER THE COST. THE VENEZUELAN GOVT'S OFFICIAL LINE ADMITS NO POSSIBILITY THAT A REDUCTION IN PETROLEUM PRICES WOULD CONTRIBUTE TO LIMITED OFFICIAL USE

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PAGE 04 CARACA 10505 240537Z

ALLEVIATING THE WORLD'S CURRENT ECONOMIC PROBLEMS. INSTEAD, THE OFFICIAL LINE HAS CONSISTENTLY STRESSED THE CONVICTION THAT VENEZUELA SHOULD USE ITS NEW-FOUND INFLUENCE TO SOLVE THE ENERGY PROBLEM IN THE BROADER CONTEXT OF A NEW AND BETTER DEAL FOR ALL RAW MATERIALS PRODUCERS.

9. VENEZUELA'S STRESS ON A MULTILATERAL SOLUTION ON THE TERMS OF TRADE ISSUE OBVIOUSLY IS DESIGNED TO REINFORCE THE COMMON FRONT OF DEVELOPING COUNTRIES IN THE FACE OF PRESSURES BEING FELT BY CONSUMING COUNTRIES, INCLUDING MANY LDC'S. THIS THEME, PLUS VENEZUELA'S FINANCIAL CONTRIBUTIONS TO THE WORLD BANK, THE IDB, AND OTHER REGIONAL INSTITUTIONS, ARE BELIEVED BY MOST VENEZUELANES TO PROVIDE A STRONG MORAL BASE FOR

VENEZUELA'S INSISTENCE ON MAINTAINING PETROLEUM
PRICES.
MCCLINTOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA10505
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740303-0650
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741024/aaaaaogr.tel
Line Count: 172
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUL 2002 by shawdg>; APPROVED <11 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VENEZUELA CALLS FOR SOLVING WORLD ENERGY PROBLEMS IN THE CONTEXT OF THE GLOBAL ECONOMIC CRISIS
TAGS: EGEN, VE, XX, UNGA, (PEREZ GUERRERO, MANUEL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005